

COMMERCIAL GENERAL LIABILITY

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EXCLUSION - LEAD

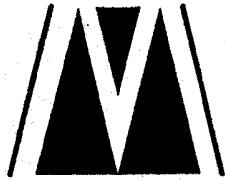
This endorsement modifies insurance provided under the following:

**COMMERCIAL GENERAL LIABILITY COVERAGE PART
OWNERS AND CONTRACTORS LIABILITY COVERAGE PART
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART**

This insurance does not apply to "bodily injury," "property damage," "personal injury" or "advertising injury" arising out of the actual or alleged presence or actual, alleged or threatened dispersal of lead, lead particles or products containing lead, provided that the injury or damage is caused or contributed to by the hazardous properties of lead. This includes:

- a. Any supervision, instructions, recommendations, warnings or advice given or which should have been given in connection with the above; and
- b. Any obligation to share damages with or repay someone else who must pay damages because of such injury or damage.

8898



MID-CONTINENT CASUALTY COMPANY
P.O. BOX 1409 TULSA, OK 74101-1409
GENERAL LIABILITY
NOTICE OF NONRENEWAL

POLICY NO. 04-GL-000119051

NAMED INSURED AND MAILING ADDRESS

BAY ROCK OPERATING CO;
SEE NAMED INSURED ENDORSEMENT.
P O BOX 12468
SAN ANTONIO TX 78212

AGENCY AND MAILING ADDRESS

EICHLITZ DENNIS WRAY WESTHEIME 42-0210
131 INTERPARK BOULEVARD
SAN ANTONIO TX 78216

TERMINATION WILL TAKE EFFECT AT:

06/30/2004 12:01 a.m. STANDARD TIME
(DATE)

DATE OF NOTICE: 03/29/2004

You are hereby notified in accordance with the terms and conditions of the above mentioned policy that the above mentioned policy will expire effective at and from the hour and date mentioned above and the policy will NOT be renewed.

REASON: UNDERWRITING REASONS-LOSS HISTORY

COUNTERSIGNED AT:

SAN ANTONIO TX

DATE: 03/29/2004

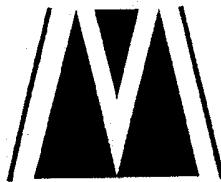
By:

Authorized Representative

MI 90 11 (01 98)

INSURED COPY

5608



MID-CONTINENT CASUALTY COMPANY

P.O. BOX 1409 TULSA, OK 74101-1409

GENERAL LIABILITY GENERAL CHANGE ENDORSEMENT

POLICY NO: 04-GL-000119051

NAMED INSURED AND MAILING ADDRESS

BAY ROCK OPERATING CO;
SEE NAMED INSURED ENDORSEMENT
P O BOX 12468
SAN ANTONIO TX 78212

AGENCY AND MAILING ADDRESS

EICHLITZ DENNIS WRAY WESTHEIME 42-0210
131 INTERPARK BOULEVARD
SAN ANTONIO TX 78216

POLICY PERIOD: FROM 06/30/2003 TO 06/30/2004 at 12:01 A.M. Standard Time at your mailing address shown above

Nothing herein contained shall be held to vary, waive, alter, or extend any of the terms, conditions, agreements, or declarations of the undermentioned Policy other than as stated below.

ENDORSEMENT NO: 002

EFFECTIVE 06/30/2003 THIS POLICY IS AMENDED AS SHOWN

Amending Extended Named Insured to read as follows:

A N MACDIARMID CO

NO CHANGE IN PREMIUM:

FORMS AND ENDORSEMENTS

APPLYING TO THIS COVERAGE PART AND MADE PART OF THIS POLICY AT THIS TIME:
CG0300(01/96) ML1419(02/99) CG2135(10/01)

COUNTERSIGNED AT: SAN ANTONIO TX DATE: 10/21/2003 BY: _____
Authorized Representative

INSURED COPY

MI 90 00 (08 99)

800

**COMMERCIAL GENERAL LIABILITY
EXTENSION OF DECLARATIONS**

Policy Number 04-GL-000119051

PREMIUM Location Classification	Code No.	Premium Basis	Rate		Advance Premium Pr/Co	Premium All Other
			A)Area P)Payroll S)Gross Sales	C)Cost U)Per Unit T)See Desc.		
Buildings or Premises - office - premises occupied by employees of the Insured - Other than Not-For-Profit Products -completed operations are subject to General Aggregate Limit	61224 A)	1,413		incl.	189.053	incl. 268.
See Endorsement ML 1126 Attached (Premium Basis: Each Well)						8,604.
Contractors Equipment - excluding automobiles - rented to others without operators Products -completed operations are subject to General Aggregate Limit	11208 S)	130,000		incl.	14.205	incl. 1,847.
PIPELINE CODE 64444 Flat Charge	64444	8,500				1,159.
Minimum Premiums Policy Writing \$ 250 All Other \$ 354 PR/CO						
Extension of Declarations - Total Advanced Premium						\$ 11,878.

ML 15 08 (04 97)

6000

MID-CONTINENT CASUALTY COMPANY
P. O. BOX 1409 TULSA, OK 74101

SUPPLEMENTARY DECLARATIONS FOR NAMED INSURED

Policy No. 04-GL-000119051

THE NAMED INSURED FOR THIS POLICY IS:
BAY ROCK OPERATING CO;
JOHN MACDIARMID
A N MACDIARMID CO

COMMERCIAL GENERAL LIABILITY INSURANCE OIL & GAS ENDORSEMENT

I. POLLUTION

- A. No Coverage Extension is Afforded.
- B. It is agreed that Exclusion f. Under Section 1 - Coverages, Coverage A. "Bodily Injury" and "Property Damage" Liability is deleted, and replaced by the following:

A. Insuring agreements

1. "Bodily Injury" and "Property Damage" Liability
We will pay those sums that you become legally obligated to pay because of "bodily injury" or "property damage" to which this insurance applies, caused by a "pollution incident."

2. Reimbursement of Mandated "Clean-up Costs"
We will pay for "clean-up costs" that you become legally obligated to pay because of "environmental damage" to which this insurance applies, caused by a "pollution incident."

Your obligation to pay "clean-up costs" because of the "environmental damage" must be asserted under statutory authority of the United States of America or any political subdivision of the United States. Notice asserting such obligation must be first received by you within 180 days of the "Pollution Incident."

3. Voluntary "Clean-up Costs" Reimbursement

We will reimburse you for other "clean-up costs" that you incur, provided that:

- (a) the "clean-up costs" are reasonable and necessary;
- (b) the "clean-up costs" are incurred to curtail or prevent a "pollution incident" that poses an imminent and substantial danger of "bodily injury," "property damage" or "environmental damage" to which the insurance provided under 1. or 2. above applies; and
- (c) during the policy period, we grant you prior written consent to undertake the clean-up.
We may not withhold this consent without reasonable cause. In the event you undertake emergency measures to curtail or prevent loss, paragraph 3(c) does not apply.

B. Exclusions

The following exclusions apply:

1. "Property Damage" to or emanating from a "Waste Facility."
2. "Bodily Injury" or "Property Damage" arising out of the ownership of, or work or operations performed on any oil or gas lease in oceans, gulfs or bays.
3. "Bodily Injury" or "Property Damage" arising out of a "Pollution Incident" which results from or is attributable to failure to comply with any applicable statute, regulation, ordinance, directive or order relating to the protection of the environment and promulgated by any governmental body, provided that failure to comply is a willful or deliberate act or omission.
4. Any fine or penalty imposed by any governmental or regulatory body.

II. UNDERGROUND RESOURCES

Unless so indicated below the "Underground Resources Hazard" is included within the Limit of Insurance.

- A. If so indicated, the "Underground Resources Hazard" is limited to:

\$ 1,000,000 Aggregate

- B. If so indicated, this insurance does not apply to "Property Damage" included within the Underground Resources Hazard."

III. **UNDERGROUND EQUIPMENT**

Unless so indicated below the "Underground Equipment Hazard" is included within the Limit of Insurance.

- A. If so indicated, the "Underground Equipment Hazard" is limited to:

\$ Aggregate

- B. If so indicated, this insurance does not apply to:

- (1) Property Damage" included within the "Underground Equipment Hazard;" or
- (2) The cost of reducing any property included within the "Underground Equipment Hazard" to physical possession above the surface of the earth or of any body of water, or to the expense incurred or rendered necessary to prevent or minimize "property damage" to other property resulting from acts or omissions causing "property damage" included within the "Underground Equipment Hazard."

IV. **BLOW-OUT AND CRATERING**

Unless so indicated below, the Blow-out and Cratering of any well is included within the Limit of Insurance.

- If so indicated, this insurance does not apply to "Property Damage" on or above the surface of the earth caused by the blow-out or cratering of any well.

V. **EXCLUSIONS**

- A. Any cost or expense incurred by you or at your request or by or at the request of any "Co-owner of the Working Interest" in connection with controlling or bringing under control any oil, gas or water well.
- B. Any cost or expense associated with loss of hole including, but not limited to, the cost of plugging, replugging or abandoning of any well.

VI. **DEFINITIONS**

- A. "Clean-up Costs" means expenses for the removal or neutralization of contaminants, irritants or pollutants.
- B. "Co-owner of the Working Interest" means any person or organization who is, with you, a co-owner, joint venturer or mining partner in mineral properties who:
 - (1) Participates in the operating expense of such properties; or
 - (2) Has the right to participate in the control, development or operation of such properties.
- C. "Environmental Damage" means the injurious presence in or upon land, or the atmosphere, or any water course or body of water of solid, liquid, gaseous or thermal contaminants, irritants or pollutants.
- D. "Pollution Incident" means the sudden and accidental emission, discharge, release or escape of pollutants into or upon the land, atmosphere or any water course or body of water, provided that such emission, discharge, release or escape emanates from operations conducted on land and results in "Environmental Damage." The entirety of any such emission, discharge, release or escape shall be deemed to be one "Pollution Incident."

- E. "Underground Equipment Hazard" includes "Property Damage" to any casing, pipe, bit, or tool, pump or other drilling or well servicing machinery or equipment located beneath the surface of the earth in any such well or hole or beneath the surface of any body of water in which you have a legal liability. Exclusion j.(4) under Section I - Coverages, Coverage A. "Bodily Injury" and "Property Damage" does not apply to this hazard.
- F. "Underground Resources Hazard" includes "Property Damage" to:
 - (1) Oil, gas, water or other mineral substances which have not been reduced to physical possession above the surface of the earth or above the surface of any body of water; or
 - (2) Any formation strata or area in or through which exploration for or production of any substance is carried on.
- G. "Waste Facility" means any site to which waste is legally consigned for delivery or delivered for storage, disposal, processing or treatment, provided that such site is licensed by state or federal authority to perform such storage, disposal, processing or treatment. Salt water disposal or injection wells are not considered to be "Waste Facilities."

2000

LEASE OPERATOR RATING SCHEDULE

<u>OPERATING INTEREST</u>	<u>Exposure</u>	<u>Rate</u>	<u>Premium</u>
<u>Producing Wells</u>			
900101 (0-2000')	8	88.200	707.
900102 (2001-5000')	9	123.200	1,111.
900103 (5001-10,000')	17	210.000	3,577.
900104 (10,001-15,000')			
900105 (15,001' and over)			
<u>Producing Wells Inside City Limits</u>			
900106 (0-2000')			
900107 (2001-5000')			
900108 (5001-10,000')			
900109 (10,001-15,000')			
900110 (15,001' and over)			
<u>Wells To Be Drilled Or Deepened</u>			
900111 (0-2000')			
900112 (2001-5000')	5	369.600	1,852.
900113 (5001-10,000')	1	945.000	947.
900114 (10,001-15,000')			
900115 (15,001' and over)			
<u>Wells To Be Drilled Or Deepened Inside City Limits</u>			
900116 (0-2000')			
900117 (2001-5000')			
900118 (5001-10,000')			
900119 (10,001-15,000')			
900120 (15,001' and over)			

LEASE OPERATOR RATING SCHEDULE

Salt Water Disposal Wells

900131 (0-2000')
 900132 (2001-5000')
 900133 (5001-10,000')
 900134 (10,001-15,000')
 900135 (15,001' and over)

Exposure**Rate****Premium****Injection Wells****Exposure****Rate****Premium**

900136 (0-2000')
 900137 (2001-5000')
 900138 (5001-10,000')
 900139 (10,001-15,000')
 900140 (15,001' and over)

Shut-In Wells**Exposure****Rate****Premium**

900141 (0-2000')
 900142 (2001-5000')
 900143 (5001-10,000')
 900144 (10,001-15,000')
 900145 (15,001' and over)

Abandoned Wells**Exposure****Rate****Premium**

900146 (0-2000')
 900147 (2001-5000')
 900148 (5001-10,000')
 900149 (10,001-15,000')
 900150 (15,001' and over)

2008

LEASE OPERATOR RATING SCHEDULE

TOTAL OPERATING INTEREST	\$ <u>8,194.</u>
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<u>Operating Interest Minimum Premium</u>	<u>\$ 2,505.</u>
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NON-OPERATING WORKING INTEREST

<u>Ownership Interest</u>	<u>Class Code</u>	<u>Exposure</u>	<u>Rate</u>	<u>Premium</u>
0 - 15%	900125			
15.1 - 50%	900126			
50.1 - 100%	900127			

TOTAL NOW!	\$ _____
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Non-Operating Working Interest Minimum Premium	<u>\$ _____</u>
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			<u>Premium</u>
Blow-Out and Cratering	900121	(Policy Occurrence Limit)	\$ <u>410.</u>
Underground Equipment	900122	\$ _____	Limit \$ _____
TOTAL ML 11 26 PREMIUM			\$ <u>8,604.</u>

POLICY NUMBER: 04-GL-000119051

COMMERCIAL GENERAL LIABILITY
CG 03 00 01 96**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.****DEDUCTIBLE LIABILITY INSURANCE**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART

Coverage	SCHEDULE		Amount and Basis of Deductible PER CLAIM or PER OCCURRENCE
Bodily Injury Liability	\$	\$	
OR			
Property Damage Liability	\$ 1,000	\$	
OR			
Bodily Injury Liability and/or Property Damage Liability Combined	\$	\$	

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

APPLICATION OF ENDORSEMENT (Enter below any limitations on the application of this endorsement. If no limitation is entered, the deductibles apply to damages for all "bodily injury" and "property damage", however caused):

- A. Our obligation under the Bodily Injury Liability and Property Damage Liability Coverages to pay damages on your behalf applies only to the amount of damages in excess of any deductible amounts stated in the Schedule above as applicable to such coverages.
 - B. You may select a deductible amount on either a per claim or a per "occurrence" basis. Your selected deductible applies to the coverage option and to the basis of the deductible indicated by the placement of the deductible amount in the Schedule above. The deductible amount stated in the Schedule above applies as follows:
 - 1. **PER CLAIM BASIS.** If the deductible amount indicated in the Schedule above is on a per claim basis, that deductible applies as follows:
 - a. Under Bodily Injury Liability Coverage, to all damages sustained by any one person because of "bodily injury";
 - b. Under Property Damage Liability Coverage, to all damages sustained by any one person because of "property damage"; or
 - c. Under Bodily Injury Liability and/or Property Damage Liability Coverage Combined, to all damages sustained by any one person because of:
 - (1) "Bodily injury";
 - (2) "Property damage"; or
 - (3) "Bodily injury" and "property damage" combined as the result of any one "occurrence".
- If damages are claimed for care, loss of services or death resulting at any time from "bodily injury", a separate deductible amount will be applied to each person making a claim for such damages.
- With respect to "property damage", person includes an organization.

2. **PER OCCURRENCE BASIS.** If the deductible amount indicated in the Schedule above is on a "per occurrence" basis, that deductible amount applies as follows:
 - a. Under Bodily Injury Liability Coverage, to all damages because of "bodily injury";
 - b. Under Property Damage Liability Coverage, to all damages because of "property damage"; or
 - c. Under Bodily Injury Liability and/or Property Damage Liability Coverage Combined, to all damages because of:
 - (1) "Bodily injury";
 - (2) "Property damage"; or
 - (3) "Bodily injury" and "property damage" combined
- C. The terms of this insurance, including those with respect to:
 1. Our right and duty to defend the insured against any "suits" seeking those damages; and
 2. Your duties in the event of an "occurrence", claim, or "suit"apply irrespective of the application of the deductible amount.
- D. We may pay any part or all of the deductible amount to effect settlement of any claim or "suit" and, upon notification of the action taken, you shall promptly reimburse us for such part of the deductible amount as has been paid by us.

as the result of any one "occurrence", regardless of the number of persons or organizations who sustain damages because of that "occurrence".

POLICY NUMBER: 04-GL-000119051

COMMERCIAL GENERAL LIABILITY
CG 21 35 10 01

2002

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EXCLUSION – COVERAGE C – MEDICAL PAYMENTS

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Description And Location Of Premises Or Classification:

ALL OPERATIONS

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

With respect to any premises or classification shown in the Schedule:

1. Section I – Coverage C – Medical Payments does not apply and none of the references to it in the Coverage Part apply; and
2. The following is added to Section I – Supplementary Payments:
 - h. Expenses incurred by the insured for first aid administered to others at the time of an accident for "bodily injury" to which this insurance applies.

In Witness Whereof, we have caused this policy to be executed and attested, and, if required by state law, this policy shall not be valid unless countersigned by our authorized representative.

L. Fay Jessie Secretary

President